



DEPARTMENT OF CONSERVATION STATE OF CALIFORNIA

November 2002 Shrinkage Adjustment

DIVISION OF RECYCLING

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Certified recyclers must inspect each load of containers to determine California Refund Value (CRV) eligibility. If the load is contaminated, the recycler or seller should attempt to remove any visible debris. For remaining contamination that cannot be removed, such as dirt or moisture, the recycler should refer to 14CCR, Section 2500(e)(1)(B) regarding the seller's "rights." The recycler should estimate the percent of contamination or shrinkage in the load and, if the seller agrees to a reduced price, reduce the payment rate by this percentage. The customer must be made aware of the reduction to ensure their right to take back the containers. Please note that the reduction must be applied to the CRV rate per pound and may be applied to the scrap rate per pound. **Our example illustrates how to apply the shrinkage to both the CRV and scrap rates.**

For example, a consumer brings in a 25 pound load of segregated aluminum that is determined to be 5% contaminated after debris has been removed. The recycler is paying \$0.90 per pound for segregated aluminum. To determine the adjustment amount, the 5% shrinkage rate is applied to the CRV paid per pound of \$0.77 (prevailing CRV rate per pound) and the remaining scrap value paid per pound of \$0.13 (\$0.90-\$0.77). After multiplying the rates by the 5% adjustment, the CRV paid per pound would be reduced by \$0.04 (\$0.77 x 0.05) and the scrap value paid per pound would be reduced by \$0.01 (\$0.13 x 0.05).

The CRV paid per pound would be listed as \$0.73 (\$0.77-\$0.04), and the scrap value paid per pound would be listed as \$0.12 (\$0.13-\$0.01) for a total of \$0.85 (\$0.73+\$0.12) paid per pound.

	Rate per Lb Before Adjustment	Shrinkage Calculation 5%	Rate per Lb After Adjustment	Total Payment After Adjustment
CRV	0.77	$0.77 \times 0.05 = 0.04$	$0.77 - 0.04 = 0.73$	$25 \text{ lbs} \times 0.73 = 18.28$
Scrap	0.13	$0.13 \times 0.05 = 0.01$	$0.13 - 0.01 = 0.12$	$25 \text{ lbs} \times 0.12 = 3.08$
Total	0.90	0.05	0.85	21.36

(Note: the figures are rounded to two decimal places)

Applying the shrinkage adjustment to the rate as opposed to the weight will be reflected in the total refund value in the daily summary. For shipping report completion, you should add up the total refund value from the daily summaries for the materials shipped. The redemption weight should be calculated by dividing the total refund value paid in the period by the prevailing CRV rate per pound.